



ACH☀️PROCESSOR™ ([www.achprocessor.com](http://www.achprocessor.com)) is a **privately branded** multi-merchant electronic payment application designed for 3<sup>rd</sup> Party ACH Processors who market electronic payment processing services to businesses. AchProcessor.com™ integrates with **AchNow™** ([www.achnow.com](http://www.achnow.com)), the Merchant's front-end payment data entry point; the applications work together to process electronic payments to and from the Federal Reserve. ACH Processor.com™ enables the 3<sup>rd</sup> Party ACH Processor to offer electronic payment ACH Network services to the smallest merchant, whether they are Internet based, brick and mortar businesses, or Point-Of-Purchase (POP) transactions. Literally any enterprise that sells products and services to consumers is a potential client. Affirmative makes available financial institution relationships (ODFIs) required to process to and from the Federal Reserve as required by the ACH Network.

ACH☀️PROCESSOR™ enables you to control your own destiny; build client loyalty and retention, and create residual income by operating your own **ACH Processor Application**. Here's why:

- **Privately Labeled Custom Website** - A Complete Privately Labeled ACH Processing System designed for you to provide a full menu of electronic payment services to your Merchants and their customers.
- **Residual Income** - Merchants pay you an initial application fee, monthly account maintenance fee, and ACH transaction processing fees. Your markup provides residual income for years to come.
- **ODFI Alternatives** – Not happy with your current ODFI's service, hold period of your funds or account/transaction pricing? Take your business elsewhere--Affirmative provides an efficient economical alternative.
- **Technical Efficiencies** - Affirmative's ACH Applications easily accommodate the import/export of comma delimited text files, and reduce or eliminate the cost of handling ACH Returns and NOCs by automating the return and resubmission process.
- **Customer Service** - Your merchants easily import a file or manually enter their customer's payment data on your website. Data is batched and processed electronically through the ACH Network and Federal Reserve Banking System.
- **Risk Management Measures** – Significant risk parameters with layers of fraud protection are integrated into Affirmative's ACH Processor Application.

#### Affirmative Advantages

- **Full Product & Service Menu** - More than 20 different electronic payment products and services under one roof to resell to your customers.
- **Solutions Provider** – Affirmative personnel are experts in the electronic payment industry. With more than five years of experience in creating unique payment processing solutions, there hasn't been a single case where Affirmative hasn't provided an efficient and competitive electronic payment solution.

- **Competitive ACH Transaction Pricing** – Affirmative’s transaction volume enables it to quote single digit transaction pricing for high volume customers; we are price competitive with the largest financial institutions in the country.
- **No Hold Periods** – Qualified accounts have next day access to their funds. Once funds have settled, the funds can be moved to an interest bearing sweep account with the ODFI.
- **Superior Technology** – Affirmative’s ACH Processing Applications are the best in the industry, and our technical expertise is second to none.
- **ACH Processing Power.** Affirmative has relationships with multiple ODFIs. Whatever the ACH volume, whatever the size of the business, Affirmative has the connections to get it placed at a competitive price.

**Pricing Components**

3<sup>rd</sup> Party ACH Processors generate income by retaining the difference between costs associated with the Application and fees charged to Merchants. The following are estimates only:

ACH PROCESSOR™ 3 <sup>rd</sup> Party ACH Processor Charges and Revenues Sources	Affirmative Charges ACH Processor	3 <sup>rd</sup> Party ACH Processor Charges Their Customer
One-time Application License Fee	\$150,000	You Determine- Market Based
Monthly Technical Support Fee	\$750	Not Applicable
One-Time Set Up Fee Per Account	\$100	You Determine- Market Based
Monthly Maintenance & Support Fee Per Account	\$20	You Determine- Market Based
ACH Submission and Return Transaction Fees (Volume Based Pricing Matrix, Higher Monthly Transaction Volumes Result in Lower Fees)	From .18¢ + .18¢ ◀ to as low as .07¢ + .15¢ (* ) See Note Below	You Determine- Market Based (Transaction Fees are based on Merchant’s monthly volume and what market will bear)

(\* ) On a case by case basis for those prospective customers whose high volume monthly transaction levels dictate lower transaction pricing is necessary to secure the business, and upon prior approval, Affirmative may extend lower transaction pricing, and commission the ACH Processor based on the gross transaction fee agreed to by the customer. If the transaction fee necessary to obtain the business is less than the ACH Processor’s buy rate, the ACH Processor will receive 25% of the gross transaction fee agreed to by the customer when the transaction rate quoted is .10¢ or higher. If the transaction rate quoted is .09¢ or lower, then the ACH Processor commission is 15% of the gross transaction fee agreed to by the customer.

**Banking Fees:** Separate file transfer fees, and account fees may apply.

**Other Considerations**

You should be aware that the process of becoming a 3<sup>rd</sup> Party ACH Processor is a significant undertaking. It requires meeting the qualifications necessary for establishing an ACH Clearing Account with an Affirmative financial Institution (ODFI) that is required to process ACH settlements through the Federal Reserve Bank.

ACH Processing is a business onto itself and therefore may require one or more of the following;

1. Initial investment in operating capital

2. Financial Institution (ODFI) approval, which means gathering and submitting financial data and business plans
3. A sufficient infrastructure to manage day to day on-going administrative and operational responsibilities
4. A certain level of technical and accounting expertise
5. Commitment to marketing the product in an honest and forthright manner, and most importantly, a long-term dedication to the electronic payments industry

In addition, the business may carry known and unknown risks such as;

1. Governmental regulation at the local, state, or national level that severely inhibits your ability to operate the service within legal parameters
2. An increasingly competitive environment reducing operating margins
3. Increased costs relating to marketing the service to retail merchants
4. Fraud exposure from merchants or employees
5. The inability to process electronic payments due to the loss and unavailability of a replacement ACH Processor-ODFI

As with all financial undertakings, the decision to establish a new business should be taken very seriously, and not before fully researching and analyzing the risks involved.

## Product Description

ACH☼PROCESSOR™ is a hybrid Application Service Provider (ASP) Client Software Application for processing consumer payments at Point of Sale (POS) Merchant locations, or as an Internet ACH Application. The ASP component is written in Cold Fusion, with data stored in a SQL Database. Merchants access their data via the ASP application using an Internet browser. The ACH Processing Application database is hosted and maintained by Affirmative or its' designated hosting Company.

ACH☼PROCESSOR™ enables the Operator to offer electronic payment ACH Network services to the smallest Merchant, whether they are Internet based, brick and mortar businesses, or Point-Of-Purchase transactions. Literally any enterprise that sells products and services to consumers is a potential client.

ACH☼PROCESSOR™ is a privately labeled Internet based application that features the corporate identity (logo, insignia, etc.) of the 3<sup>rd</sup> Party ACH Processor. The 3<sup>rd</sup> Party ACH Processor establishes an ACH Master Clearing Account with Affirmative's Originating Depository Financial Institution (ODFI) for the purposes of settling electronic debits, credits, and returns on behalf of its Merchants. In addition to Merchant initiated ACH transaction settlement, the Master ACH Clearing Account settles Merchant fees and funds reserves for risk management purposes. Final settlement is made within each individual Merchant's operating account.

The process flow is as follows:

- Merchants access ACH☼PROCESSOR™ (with log-in security and password restrictions) to create ACH entries or upload ACH transactions.
- The 3<sup>rd</sup> Party ACH Processor creates an ACH file within the ACH☼PROCESSOR™ Application and processes their Merchants' transactions through the ACH Network.
- Merchants have real-time access to their data and comprehensive transaction reporting capabilities.

- 3<sup>rd</sup> Party ACH Processors have comprehensive reporting capabilities to facilitate compensation of commissioned agents for signing up Merchants for ACH Processing services.

### ACH Clearing Account

An integral part of becoming a successful 3<sup>rd</sup> Party ACH Processor is partnering up with the right ODFI. Not all ODFI's are created equal—many still use antiquated software that is cumbersome, too technical in nature, and has poor reporting abilities. ACH☼PROCESSOR™ and Affirmative's technical expertise in this area has led to significant improvements to the process, and ODFI affiliates have professional ACH Departments with dedicated personnel that deliver exceptional customer service.

There are distinct advantages in dealing directly with an ODFI-ACH Processor.

First, having direct contact with Affirmative and its ODFI shortens lines of communication; resulting in better customer service.

Second, our ODFI affiliates aren't going to hold your funds for extended periods. The 3<sup>rd</sup> Party ACH Processor gets full credit for transactions daily (credit qualified), and returns are debited against the ACH Clearing Account on the same basis.

Once funds have settled, the 3<sup>rd</sup> Party ACH Processor has the option of setting up an interest bearing sweep account with the bank, or creating an ACH transaction debiting the ACH Clearing Account and crediting your operating account.

Third, and most importantly, the ACH Clearing Account is insured by the Federal Deposit Insurance Corporation (FDIC) through a nationally chartered financial institution.

### ACH Returns and Notice of Change (NOC) – Corrections

Financial institution ACH transaction pricing currently carries a heavy premium for processing ACH Returns and NOCs. Typical ODFI ACH transaction pricing ranges from .08¢ to .15¢ per submission, and from \$1.00 to \$5.00 (and higher) per return. The reason ACH Returns and NOCs are priced so much higher than normal ACH transactions is that they are handled manually. In fact, many ODFIs fax return notification to the originator requesting further information in order to resubmit the item. Financial institutions factor in the labor cost by substantially increasing the cost of returns and NOCs to the originator.

**Affirmative's ACH applications dramatically reduce the cost of handling ACH Returns and NOCs by automating the resubmission process.**

Returns and NOCs are received in one file from the Federal Reserve and sent to the originating bank on a daily basis. The file is imported into ACH☼PROCESSOR™ where they are automatically matched to their original transaction and prepared for their next step in the process.

Returns fall into two categories: (1) Those where funds can still be transferred (NSF or Funds not Available), and, (2) Those where funds cannot be transferred (Closed Account, Payment Stopped, etc.)

NOCs are informational notifications where the receiving bank identifies inaccurate information and could technically send the transaction back as a return. Instead the receiving bank elects to process the transaction and notify the transaction originator of the misinformation through the return process.

ACH☼PROCESSOR™ sets up qualified return transactions in two ways: (1) Automatic Resubmission, and, (2) Manual resubmission.

ACH transactions that have been entered or imported into ACH✶PROCESSOR™™ are processed into a NACHA compliant ACH file and submitted for settlement through the ODFI and the Federal Reserve Banking System. ACH Returns and NOCs are sent back via the Federal Reserve from the Receiving Depository Financial Institution (RDFI) for a variety of reasons. Rejected or returned ACH transactions are identified by designating them as “R” codes for returns and “C” codes for corrections. ACH Returns are items that the RDFI did not process and has rejected the item for a reason indicated by the “R” code. “C” code items are corrections that the RDFI has accepted and is requesting future submissions to be compliant with the RDFI’s system.

As the Federal Reserve returns ACH Returns, the 3<sup>rd</sup> Party ACH Processor imports a combined ACH transaction file into ACH✶PROCESSOR™, which then marks the returned records, automatically representing those that are qualified. ACH Returns can be viewed as a total number on the main screen, or can then be accessed by clicking on the number of the returns. The 3<sup>rd</sup> Party ACH Processor then creates needed reports, or creates and exports a comma-delimited file into the Originators internal system.

ACH Returns are listed and can be acted upon either by resubmitting up to the total number of re-submissions allowed by NACHA, or can be deleted and settled outside the system. The same file received from the Federal Reserve will also contain commingled Corrections, and are displayed in the same fashion as ACH Returns. However, since no re-submission is needed, they are displayed for information and notification purposes only. As corrections come into the system a corrected file account list is built so when future transactions are entered, the corrected information is submitted.

## [Specifications, Application Functions, and Features](#)

### [Overview](#)

ACH✶PROCESSOR™ is a hybrid Application Service Provider (ASP) Client Software Application for processing consumer payments at Point of Sale (POS) Merchant locations, or as an Internet ACH Application. The ASP component is written in Cold Fusion, with data stored in a SQL Database. Merchants access their data via the ASP application using an Internet browser. The database is hosted and maintained by Affirmative or its designated hosting Company.

Affirmative currently has approximately 1,000 customers utilizing its ACH origination applications through direct relationships with ODFI affiliates, multiple 3<sup>rd</sup> Party ACH Processors, and Merchant Originators utilizing the ACH✶PROCESSOR™ application in their ACH operations centers. Affirmative’s electronic payment products and applications are primarily Internet based, limited in volume only by server capacity.

Affirmative’s electronic payment products are used by multiple originators through direct merchant use, 3<sup>rd</sup> Party ACH Processors, and financial institutions acting as ODFIs. These daily users provide invaluable feedback on the efficiency of our products, providing information upon which meaningful enhancements can be integrated into applications making them more valuable to each subsequent customer.

### [ACH Processing Application Service Provider](#)

ACH✶PROCESSOR™ is a privately labeled, seemingly direct ACH Network processing service, Internet application designed to provide a complete ACH Processing System for 3<sup>rd</sup> Party ACH Processors and their customers.

ACH✶PROCESSOR™ is a hybrid Internet product (web based with PC application support) consisting of 3 components.

1. ACH✶PROCESSOR™ is a Server based SQL database (large volumes can be migrated to Oracle) containing all transaction information and settings. A merchant, via a secure web

connection, transmits transaction information. This information is entered directly, one transaction at a time for small volume, or by uploading a text file for large volume.

2. 3<sup>rd</sup> Party ACH Processors use the ACH✶PROCESSOR™ application to enter settings for Merchants, setting access conditions, limits and other security and risk parameters (holding periods, reserve accounts, etc.). ACH✶PROCESSOR™ main function is to concentrate transactions submitted by merchants, and generate an ACH file locally at the ODFI containing separate batches for Merchants. The ACH file is then verified and sent to the Federal Reserve for processing. For security reasons, the ACH✶PROCESSOR™ is PC based, with restricted access to certain security functions of the web based SQL server.
3. The ACH✶NOW™ Internet front-end application is used by Merchants to enter transactions—which then synchronize with ACH✶PROCESSOR™ to send new transactions and update the local database with any returns. Merchants have the option of entering individual transactions, or uploading ATI text format files directly into ACH✶PROCESSOR™.

Organizational hierarchy reporting is available for Referral Sources or Sales Agents who log in with Bank provided access codes to view transactions and commissions generated by individual sales people. All sales commissions and reports are generated using ACH✶PROCESSOR™. The hierarchy method allows access to certain functions, and not others, works downstream and is fully configurable.

### [Internet ACH Application Module](#)

3<sup>rd</sup> Party ACH Processors are provided access to the Internet Website ASP via software to setup and monitor Merchant activities as well as settle debits or credits into Licensee's ACH clearing account. As new Merchants are signed up, the 3<sup>rd</sup> Party ACH Processor enters Merchant's account information, identifying sales representative code for tracking referral commissions, Merchant settlement account information, and risk parameters, i.e. hold period, etc.

3<sup>rd</sup> Party ACH Processors authorize their Merchants, excepting POP Merchants; access the ASP-Website directly to enter transactions (debits, credits, RCK items, scheduling payment plans). Merchants are provided reporting and the ability to recreate past transactions to save data entry time, as well as the ability to import a large batch-compatible text file containing multiple transactions.

### [Point-Of-Purchase Module](#)

Point-Of-Purchase (POP) transactions are retail consumer personal check purchases where terminals and check readers are utilized to capture the MICR data (bank routing and transit number with the Federal Reserve, and consumer's account number) from the consumer's personal check, transmit the data for verification against a negative database, and convert the payment into an electronic transaction.

For POP transactions, accurate settlement is accomplished through unique Terminal I.D. Number (TID) numbers assigned to each Merchant and/or Merchant purchase point. As Merchants create transactions, they are collected real-time at Rocky Mountain Retail Services (RMRS) that maintains the negative database on which transactions are verified. Licensee picks up the RMRS file periodically and imports the data into The ACH Processing Application. The ACH Processing Application then disseminates individual transactions to the appropriate TID numbers, debiting consumer accounts, crediting Licensee's account, and crediting corresponding Merchant accounts after a pre-determined hold period has been satisfied.

3<sup>rd</sup> Party ACH Processor's POP Merchants will not have access to the ACH✶PROCESSOR™ Application (unless otherwise given monitoring access). All consumers' accounts will be debited and 3<sup>rd</sup> Party ACH Processor's account is credited for POP transactions (Consumer's bank statement will show Merchant's name). 3<sup>rd</sup> Party ACH Processor creates a credit to settle into the Merchant's account after the preset hold period has elapsed, including a separate debit for transaction fees. Returns are resubmitted with the

face value credited to Merchant and Return Fee to the 3<sup>rd</sup> Party ACH Processor. Returns are emailed or faxed to Merchants using ACH✶PROCESSOR™.

## Reporting

Various reports are provided to monitor accounts, transactions, risk and sales. The following is a partial list of reports:

- Merchant contact list
- Merchant transaction activity
- Merchant Fee report
- Licensee account activity statement for auditing purposes
- Transactions within a date range subtotaled by Merchant
- Returns within a date range subtotaled by Merchant
- Transactions within a date range subtotaled by Sales Representative

## Risk Management

Affirmative has a deep concern for the potential risk of fraud, and designed significant risk monitoring features into the application. Each party must be aware of the measures taken by the other parties' systems and processes, so that the various layers of protection work effectively in concert. This risk can only be mitigated, not extinguished completely. The layers of fraud protection managed by Affirmative's ACH✶PROCESSOR™ Application are described below.

- Affirmative's software employs SSL, 128 bit encrypted transmissions. This meets the highest standard of the government's current requirements.
- Affirmative's software permits transmission of transaction data only by users specifically authorized to perform this function, with User ID and Password protection. Without the proper User ID and Password, our software can't be used to transmit ACH transaction files. This and other permissions enforced in Affirmative software may be changed with any frequency desired by Originator-Merchant.
- Files sent to the ODFI's ftp site are encrypted with a password. The encryption passwords are never sent by email, normally only by U.S. mail. If the delay in the U.S. mail is too long for the business need, custom arrangements for communicating new passwords can be made. These passwords can change with any frequency necessary. If the password is incorrect, the file is not processed, and the ODFI contacts Originator-Merchant to resolve the issue.
- A custom ftp path(s) is created by the ODFI for Originator-Merchant. Each transaction file has information identifying 3<sup>rd</sup> Party ACH Processor as the customer, and it's clearing account as the destination for funds. Files not placed in the appropriate path with correct identifying and account information will not be processed. When any variation from these rules takes place, the ODFI halts processing of the file and intervenes by contacting Originator-Merchant to resolve the issue.
- The ODFI's ftp site requires a User ID and Password for connection. If these are not correct, no connection is established which would permit data movement.
- Each file received at the ODFI may be separately authorized by a FAX specifically addressed to the authorization of the individual file, and with a specifically authorized signature. The file is not processed without it. In case a file arrives without this authorization, the ODFI halts processing of the file and contacts 3<sup>rd</sup> Party ACH Processor to resolve the issue.
- The 3<sup>rd</sup> Party ACH Processor may establish daily dollar limits for transactions for Originator-Merchant. This sets the limit of exposure both for Originator-Merchant and the 3<sup>rd</sup> Party ACH Processor. In addition, the dollar limits may be segmented with subordinate dollar limits on subsets of the total transactions. Therefore Originator-Merchant can influence the exposure on an account- wide scale, or along the lines of data segmentation ODFI chooses. (E.g., an obvious one, Originator-Merchant account holders vs. non-customers). There are many

- possible ways this limitation can be employed to manage exposure. The core protective function here is that if a daily limit is exceeded, transactions are held from further processing until the 3<sup>rd</sup> Party ACH Processor contacts Originator-Merchant and resolves the issue.
- The 3<sup>rd</sup> Party ACH Processor monitors returns, and if these exceed established parameters, the 3<sup>rd</sup> Party ACH Processor intervenes by contacting Originator-Merchant to cooperatively analyze the cause and evaluate responsive actions.
  - The ODFI tracks incoming telephone calls from RDFI banks concerning unauthorized transactions, and if an unusual pattern of these calls is taking place, the ODFI immediately intervenes with Originator-Merchant to analyze the cause and resolve the issues.
  - If 3<sup>rd</sup> Party ACH Processor demonstrates the necessity, ATI is willing to customize additional measures of protection against fraud. However, as you can see from reviewing the anti-fraud measures in place, fraud originating in the process from the point of transaction file transmission through its processing at the ODFI is going to be exceedingly difficult for anyone but an insider to make happen. Even where an insider (e.g., 3<sup>rd</sup> Party ACH Processor's employee) took such actions, the various red flags described above would lead to prompt intervention to limit the exposure.

## [The Highest Security Available](#)

**SSL 128-bit data encryption.** Affirmative's software employs SSL, 128 bit encrypted transmissions, meeting the highest standard of the government's current requirements. 128-bit data encryption is a secure coding method in which transactions require a 128-bit encryption key to unlock the block cipher and read the data. The block cipher method applies a cryptographic key to a block of data as a group, rather than breaking the data into smaller sizes. This makes the data virtually impervious to attack.

**Secure Sockets Layer (SSL).** A security protocol that sits just below protocols such as HTTP and uses the lower-level TCP/IP to allow SSL-enabled PCs and servers to authenticate to each other. SSL creates single-session key exchange; using public and private-key data encryption (usually 128-bit) from RSA Data Security for enciphering and deciphering encrypted SSL transmissions.

- We offer the finest in currently available server-level protection behind a dedicated firewall and if necessary, your own VPN. The security at the server level is customizable according to your needs.
- We have multiple layers of application-level controls against intrusion.
- We have the highest levels of file-level (and messaging!) security protection available anywhere, superior to any secure FTP server.
- Our ACHSecureFile product does not write any unencrypted data to disk, whether you or your customers are communicating ACH file data or a confidential, sensitive message.
- ACHSecureFile's built-in secure data storage system uses the 256-bit AES encryption certified by the US and Canadian governments for its vendors.

### [Disaster Recovery - Outline of Redundancy](#)

1. Two Server Locations – One main, the other as a backup.
2. Main location runs three servers. – One backup, two live.
3. Backup location runs two servers – both for backup.
4. Main Location has three different company fiber backbones (fiber optic telecommunications lines).  
Additional redundancies include:
  - a) Two Uninterruptible power supply systems plus building generators for power outages.
  - b) System backups nightly and taken off-site (includes Operating Systems, Software and data).
  - c) Full Data backups done daily, and stored on portable media for quick install.
5. Backup Location - runs the same type of power redundancies.
  - a) Also runs the same type of system and data backups.
  - b) Also has multiple fiber backbones.

6. Both locations have multiple security levels for accessing the physical building and data rooms.
7. Both have limited access points to the physical building (either 1 or 2 entry points), each with the previously mentioned security levels.
8. As far as internet security, all website servers run as 128 bit encryption SSL Security certificate servers. All data is encrypted before transmission.
9. All Machines also run behind software and hardware firewalls for additional access protection.

In the unfortunate case of Main Server failure. The immediate backup server would be implemented and the Backup Location Servers would be geared up to take over. Once Data is re-verified, the Backup Location servers take over. All of this is a behind the scenes process and coordination.

### Data Hosting Options

#### Web and Data Hosting By Affirmative

1. No Hardware Cost.
2. No Software Cost.
3. No Software Installation and Configuration.
4. No Software or Hardware Upgrades.
5. No Licensing Fees.
6. No Domain Registration or Renewal.
7. No Data Management.
8. No Maintenance.
9. Immediate Updates and Upgrades.
10. No Setup and Maintenance of Security (Physical, Software, and Data).
11. No Backup or Redundancy planning needed. (Disaster recovery)

#### Web and Data Hosting By Your Organization

1. Hardware Cost.
2. Software Cost.
3. Software Installation and Configuration.
4. Hardware and Software Upgrades.
5. Recurring Licensing Fees.
6. Domain Registrations and Renewal.
7. Data Management.
8. Machine Maintenance.
9. Delayed Updates and Upgrades.
10. Setup and Maintenance of Security (Physical, Software, Data).
11. Backup and Redundancy planning required. Additional hardware and software purchasing and licensing required.

email us at:

<mailto:info@affirmativeusa.com>

Contact us at:

**1-888-216-1808**

**Affirmative Technologies, Inc.**  
**35111 US Highway 19 North, Suite 200**  
**Palm Harbor, FL 34684-1909**